

Message Text

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ACTION ARA-10

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CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

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SUBJECT: FURTHER GOV REACTION TO U.S. TRADE LAW

REF: CARACAS 0119

SUMMARY. VENEZUELA'S REACTION TO THE U.S. TRADE LAW INTENSIFIED FURTHER AS WORD WAS RECEIVED THAT THE BILL HAD BEEN SIGNED BY PRESIDENT FORD. IN ADDITION TO THE PRESIDENT'S LETTER TO ECUADOR CALLING FOR A SPECIAL MEETING OF THE OAS COUNCIL (SEE REFTTEL), FOREIGN MINISTER SCHACHT AND OTHER GOV OFFICIALS COMMENTED ON THE LAW. END SUMMARY.

1. VENEZUELAN REACTION TO THE TRADE ACT OF 1974 RECEIVED HEADLINE TREATMENT IN THE CARACAS PRESS AS PRESIDENT PEREZ AND OTHER RANKING OFFICIALS REACTED STRONGLY TO PRESIDENT FORD'S SIGNING OF THE BILL. PEREZ ADDRESSED A LETTER ON JANUARY 4 TO PRESIDENT REDRIGUEZ OF ECUADOR CALLING THE LAW A "CLEAR ACT OF ECONOMIC AGGRESSION AND POLITICAL PRESSURE" AND EXPRESSING AGREEMENT WITH THE RECENT STATEMENT OF ECUADOR'S FOREIGN MINISTER CONCERNING
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ECUADOR'S INTENTION NOT TO ATTEND THE MEETING OF FOREIGN MINISTERS

IN BUENOS AIRES. THE LETTER ALSO ANNOUNCED VENEZUELA'S INTENTION TO PRESS FOR A SPECIAL MEETING OF THE OAS COUNCIL.

2. ON JANUARY 5 FOREIGN MINISTER SCHACHT WAS ASKED BY THE PRESS TO COMMENT ON THE MESSAGE TO PRESIDENT RODRIGUEZ. ULTIMAS NOCIAS JANUARY 6 QUOTES SCHACHT AS STATING THAT "VENEZUELA IS DISPOSED NOT TO ATTEND THE BUENOS AIRES MEETING BECAUSE IT CONSIDERS THAT IT WOULD DESTROY OR CONTRIBUTE TO DESTROYING THE NECESSARY COHESION WHICH THE OAS STILL NEEDS IN ORDER TO TRY TO DEFEND THIS INSTITUTION WHICH IS FUNDAMENTAL TO THE INTERESTS OF THE HEMISPHERE. THIS IS AN OFFICIAL DECISION ALREADY TAKEN." EL NACIONAL JANUARY 6 QUOTES SCHACHT AS SAYING THAT THE BUENOS AIRES MEETING, WHICH IS OUTSIDE THE STRUCTURE OF THE OAS, WOULD NOT BE CONVENIENT SINCE INSTEAD OF STRENGTHENING THE UNITY OF LATIN AMERICA IT WOULD CONTRIBUTE TO WEAKENING IT. IN VIEW OF THE NEW TRADE LAW, WHICH PROVIDES FOR "DISCRIMINATORY TREATMENT OF OUR COUNTRIES, "SCHACHT WAS REPORTED TO HAVE SAID, THIS WOULD NOT BE THE BEST OPPORTUNITY FOR THE DIALOGUE WHICH SECRETARY KISSINGER DESIRES TO CARRY ON.

3. PRESS JANUARY 6 ALSO GIVES PROMINENT TREATMENT TO AN AP REPORT, DATED WASHINGTON, OF STATEMENTS BY VENEZUELAN OAS AMBASSADOR MACHIN THAT THE NEW TRADE LAW VIOLATES THE OAS CHARTER AND THAT VENEZUELA IS ATTEMPTING TO CONVOKE A SPECIAL MEETING OF THE OAS COUNCIL TO CONSIDER THIS QUESTION.

4. THE DIRECTOR OF THE FOREIGN TRADE INSTITUTE OF VENEZUELA, REINALDO FIGUEROA, AND DR. GONZALO BARRIOS, PRESIDENT OF THE NATIONAL CONGRESS, ALSO CRITICIZED THE TRADE LAW. BOTH REFERRED TO THE EXCHANGE OF NOTES OF JUNE 1972 WHICH REPLACED THE BILATERAL TRADE TREATY WITH VENEZUELA, IMPLYING THAT THE US TRADE LAW WOULD VIOLATE ITS MOST FAVORED NATION CLAUSE. PUBLIC COMMENTS BY POLITICIANS REPRESENTING NEARLY THE ENTIRE SPECTRUM OF LOCAL POLITICAL OPINION ALSO REFLECT SHARP CRITICISM OF THE DISCRIMINATORY FEATURES OF THE TRADE LAW.

5. EL NACIONAL REPORTED ON JANUARY 5 THAT GOVERNMENT SOURCES CONSIDERED THAT THE APPROVAL OF THE TRADE LAW NEGATES ALL THE MORAL COMMITMENTS THAT THE UNITED STATES HAD AGREED TO ON AN INTERNATIONAL BASIS, ESPECIALLY IN UNCTAD. THE REPORT SAID THAT HIGH GOVERNMENT OFFICIALS HAD DESCRIBED THE LAW FRANKLY AS AN UNFRIENDLY ACT, LIMITED OFFICIAL USE

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VIRTUALLY AIMED AT COUNTRIES SUCH AS VENEZUELA. THESE OFFICIALS WERE REPORTED AS SAYING THAT THIS RESULT WAS A CULMINATION OF A DETERIORATION OF ECONOMIC RELATIONS WHICH HAD BEEN AGGRAVATED BY THE CAMPAIGN OF REPRESENTATIVES OF THE WHITE HOUSE AGAINST OPEC MEMBER COUNTRIES BECAUSE OF THEIR POSITION ON PETROLEUM PRICES. ANOTHER HIGH OFFICIAL WAS QUOTED HAVING SAID THAT "ECONOMIC RELATIONS (WITH WASHINGTON) HAVE REACHED THEIR LOWEST POINT." THE NACIONAL ARTICLE NOTED THAT OFFICIAL SOURCES FELT THAT THE UNFRIENDLY ATTITUDE

OF THE CONGRESS HAD BEEN RATIFIED BY THE WHITE HOUSE IN APPROVING THE LAW.

6. COMMENT. IT IS APPARENT THAT VENEZUELA'S TACTIC IN REACTING TO THE TRADE LAW IS TO SEEK A UNITED POSITION OF LATIN AMERICAN COUNTRIES IN THE OAS OPPOSING THE LAW AS CONTRARY TO THE INTERESTS OF ALL LATIN AMERICAN COUNTRIES--NOT JUST VENEZUELA AND ECUADOR, THE TWO COUNTRIES MOST DIRECTLY AFFECTED. THE STRONG REACTION TO THE TRADE LAW IS EXPECTED TO GATHER FURTHER MOMENTUM AS THE VENEZUELAN CONGRESS, POLITICAL PARTIES AND OTHER INSTITUTIONS ADD THEIR VOICES TO THOSE OF PRESIDENT PEREZ, FOREIGN MINISTER SCHACHT AND OTHER GOVERNMENT OFFICIALS. VENEZUELAN REACTION TO THE TRADE LAW IS ESSENTIALLY POLITICAL, SINCE EXCLUSION FROM GENERALIZED PREFERENCES WOULD HAVE LITTLE IF ANY ECONOMIC EFFECT. LACK OF GOV INTEREST IN THE ECONOMIC BENEFITS OF GSP IS REFLECTED IN ITS FAILURE TO RESPOND TO REPEATED EMBASSY AND USG REQUESTS FOR A LIST OF PRODUCTS

WHICH VENEZUELA WOULD HAVE A PARTICULAR INTEREST IN SEEING INCLUDED IN THE US GSP OFFER.

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